

Message Text

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40

ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 INR-10 INT-08

L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15 DRC-01

/180 W

----- 117169

R 011220Z JUN 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 965

INFO AMEMBASSY OTTAWA

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY TOKYO

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

AMEMBASSY CARACAS

AMEMBASSY KUWAIT

C O N F I D E N T I A L BRUSSELS 3706

E.O. 11652: GDS

TAGS: ENRG, BE

SUBJECT: COORDINATED CONSUMER ACTION TO AVOID ANOTHER
OIL PRICE INCREASE

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1. DAVIGNON OPENED MAY 31 INFORMAL PREPCON BY ASKING

FOR VIEWS ON DESIRABILITY INDIVIDUAL APPROACHES BY ECG COUNTRIES TO PRODUCERS TO ATTEMPT AVOID PRICE INCREASE IN QUITO IN GUISE OPEC MOVE TO REDUCE OIL COMPANY PROFITS. THERE WAS GENERAL AGREEMENT THAT APPROACHES WOULD BE USEFUL TO ASSURE THERE NO MIS-UNDERSTANDING OF FACTS. BASIC APPROACH TO BE BUYING TIME WHILE DEFENDING CONSUMER NOT COMPANY INTERESTS.

2. DAVIGNON SAID HE HAD BEEN APPROACHED BY EC COMMISSIONER SIMONET WHO URGED ECG AS WELL AS OTHER COUNTRIES DO WHAT THEY CAN TO AVOID PRICE INCREASE OPEC SECRETARIAT WILL PRESS IN QUITO. WILLIAMS (UK) SAID HE WANTED TO RAISE SAME POINT; HE CIRCULATED SHELL PAPER (SEPTEL). GENERAL THRUST INFORMATION AVAILABLE SEVERAL COUNTRIES IS THAT OPEC WILL TAKE DECISION TO REDUCE SO-CALLED EXCESS COMPANY PROFITS BY INCREASING PRODUCER TAKE FROM EQUITY OIL TO APPROXIMATELY SAME LEVEL AS BUY-BACK. WILLIAMS ESTIMATED INCREASE IN AVERAGE OIL PRICE WOULD BE DOLLAR FIFTY PER BARREL. SIMONET REPORTEDLY SAID OPEC CONTACTS HAD TOLD HIM OPEC ACTION WOULD PRESENT NO PROBLEM TO CONSUMER COUNTRIES SINCE THEY HAVE ALREADY ACCEPTED CURRENT PRICE LEVEL OF 93 PERCENT POSTED.

3. THERE WAS COMPLETE AGREEMENT IN INTERNAL GROUP THAT IN MOST CASES CONSUMERS ARE NOT PAYING 93 PERCENT POSTED WITH COMPANIES MAKING 4 DOLLARS PER BARREL AS OPEC SEC GEN CLAIMING. ALSO CONSENSUS THAT INCREASED COMPANY PROFITS ARE DUE TO INVENTORY PRICING CHANGES AND OTHER FACTORS, NOT TO HIGH PER BARREL PROFITS ON ANY SIGNIFICANT VOLUME OIL. WILLIAMS ESTIMATED 4 DOLLAR PROFIT ON ONLY 1 - 2 PERCENT OF OIL. RIBERHOLDT NOTED AMOCO HAD ADMITTED TO US CONGRESS 4 DOLLAR PROFIT ON TRINIDAD OIL.

4. ENGELMANN (FRG) AND RIBERHOLDT (DENMARK) STRESSED DESIRE TO GET RID OF SEVERAL-TIER PRICING SYSTEM. EVERYONE AGREED HOWEVER THAT INCREASING AVERAGE OIL PRICE NOT DESIRABLE WAY REDUCE VARIETY PRICES IN MARKET OR ASSURE SMALLER COMPANIES ACCESS TO OIL ON CONFIDENTIAL

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EQUITABLE BASIS.

5. RISTAGNO (ITALY) SAID PROPOSED INCREASE WOULD BE DISASTER FOR ITALY WHICH NOW PERMITS COMPANIES CHARGE ONLY SLIGHTLY ABOVE EQUITY PRICE AND WOULD THUS SEE OIL PRICE INCREASE BY NEARLY 50 PERCENT.

6. BUSHNELL (US) AGREED UNDESIRABILITY PRICE INCREASE

BUT CAUTIONED THAT PROPOSAL OF OPEC SECRETARIAT NOT NECESSARILY CAUSE FOR MAJOR ALARM ESPECIALLY GIVEN DIVERGENT SITUATION AND INTERESTS OF PRODUCING COUNTRIES. SAID PUBLIC CONTENTION OF OPEC SEC GEN THAT COMPANIES EARNING 4 DOLLARS SHOULD BE COUNTERED, PROBABLY ON PUBLIC RECORD, AS WELL AS IN APPROACHES PRODUCING GOVTS. HE ALSO VOICED CONCERN THAT ESTABLISHMENT COMMON OPEC TAX TAKE FOR ALL OIL WOULD MAKE MORE DIFFICULT REDUCTION IN PRICES THROUGH MARKET FORCES. HE MENTIONED THAT PRELIMINARY THINKING OF SOME PRODUCERS IS TO STRENGTHEN MARKET BY INCREASING AMOUNTS THEY AUCTION.

7. DAVIGNON CONCLUDED THAT APPROACHES TO PRODUCING COUNTRIES WOULD BE USEFUL AND SHOULD BE MADE NEXT WEEK, IF POSSIBLE BEFORE MINISTERS LEAVE FOR QUITO. HE WOULD CABLE ECG FOREIGN MINISTRIES DIRECT ON MONDAY WITH CONCRETE PROPOSAL FOR APPROACHES BASED ON INFORMAL DISCUSSION AND HOPED THAT ALL ECG MEMBERS WOULD RESPOND THROUGH THEIR AMBS TO BELGIUM OR EC NOT LATER THAN WED ON DESIRABILITY AND THEIR WILLINGNESS TO MAKE APPROACHES TO PRODUCERS. MATTER WILL ALSO BE RAISED IN TUESDAY EC MEETING AND DAVIGNON IMPLIED FRANCE WOULD TAKE PARALLEL ACTION. BOOCHEVER

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